

REPORT SUMMARY

OVERVIEW

The Denver metropolitan area apartment vacancy rate was 4.8 percent for the second quarter of 2011, compared to 5.5 percent for the first quarter of 2011 which was the same as for the fourth quarter of 2010. It was 6.1 percent for the second quarter of 2010. It was 9.0 percent for the second quarter of 2008, 6.2 percent for the second quarter of 2008. For the second quarter of 2007 it was also 6.2 percent, and for the second quarter of 2006 it was 6.9 percent. The vacancy rate for the second quarter of 2005 was 8.0 percent. All the counties showed a decrease in their vacancy rate. Eleven market areas showed an increase, while twenty-three showed a decrease, and three remained the same.

VACANCIES

Buildings with “350 and up” units had the highest vacancy rate at 5.6 percent, compared to 6.1 percent for the first quarter of 2011, the same as for fourth quarter 2010. Next highest were buildings with “51 to 99” units with 5.0 percent vacant. The “8 and fewer” and “100 to 199” unit building size had a 5.0 percent vacant, the “200 to 349” unit size had 4.3 percent vacant, and “9 to 50” had 3.7 percent vacant, the same as last quarter. Historically, larger buildings have the highest vacancy rates. Buildings constructed since 2005 had 8.9 percent vacant, down from 12.5 percent vacant for the first quarter. Buildings constructed from 1950 – 1959 had 4.5 percent vacant, down from 6.3 percent for the first quarter. Those constructed from 1990 to 1999 had 4.5 percent vacant, down from 4.6 percent for the first quarter, while buildings constructed between 2000 and 2004 had 3.9 percent vacant, down from 5.0 percent vacant in the first quarter. Buildings constructed between 1960 and 1969 had a vacancy rate of 4.9 down from 5.2 percent for the first quarter, those constructed between 1980 and 1989 had 4.4 percent, down from 4.5 percent vacant; and those built between 1970 and 1979, 5.0 percent vacant, down from 5.7. Apartment units “Below 500” square feet had a vacancy rate of 5.7 percent, down from 6.4 percent; those “Above 1000” square feet had 5.4 percent vacant, down from 6.4 percent. Those with “500 to 749” square feet had 4.2 percent vacant, down from 4.8; while units with “750 to 999” had 4.8 percent vacant, down from 5.3 percent vacant. Efficiencies had 3.7 percent vacant, down from 4.1; one-bedroom, 4.4 percent vacant, down from 5.0; two-bedroom, one bath, 5.2, down from 6.1; two-bedroom, two bath, 5.4 percent vacant, down from 6.1 percent; and three bedroom, 5.1 percent vacant, same as last quarter.

RENTAL RATES

Median rent increased to \$863.37 for the second quarter of 2011 compared to \$858.97 for the first quarter, up from \$846.36 for the fourth quarter of 2010 compared to \$856.64 for the third quarter of 2010. It was \$842.70 for the second quarter of 2010. For the second quarter of 2009, it was \$808.42, and \$833.75 for the second quarter of 2008. For the second quarter of 2007, median rents were \$802.30, and \$804.28 for the second quarter of 2006. They were \$785.72 in the second quarter of 2005, \$777.01 in the first quarter of 2004.

Average rent increased to \$915.08 for the second quarter of 2011 compared to \$911.41 for the first quarter of 2011, and to \$908.77 for the fourth quarter of 2010. For the second quarter of 2010, it was \$899.97, and \$870.37 for the second quarter of 2009. For the second quarter of

2008, it was \$866.14, and \$863.53 for the second quarter of 2007. For the second quarter of 2006, it was \$843.85, and for the second quarter of 2005 it was \$826.49. Rents do not include the cost of rental discounts and concessions. For the second quarter of 2011, rental discounts and concessions averaged 11.4 percent, up from 9.5 percent for the first quarter, down from 9.8 percent for the fourth quarter of 2010. It was 7.8 percent in the first quarter of 2009. Units constructed since 2005 averaged \$1,255.71; 2000-2004, \$1,091.52; 1990-1999, \$1,070.34; 1980-1989, \$823.75; 1970-1979, \$713.37; 1960-1969, \$734.12; and 1959 and prior, \$656.79. In terms of building size, highest rents are in buildings/complexes with "200-349" units, \$957.79; and lowest in buildings with "up to 8" units, \$696.32. Rent per square foot remained at \$1.07 for the second quarter of 2011, same as for the last three quarters. It was \$1.06 for the second quarter of 2010. For the second quarter of 2009 it was \$1.02, and \$1.04 for the second quarter of 2008. The highest rent per square foot was for those units "Below 500" square feet, \$1.38; and rents were lowest for units having "1,000 and above" square feet, \$1.03 cents.

ECONOMIC VACANCY

Economic vacancy is defined as physical vacancy plus concessions and discounts as a percent of gross potential rent. The overall economic vacancy rate for the second quarter was 16.2 percent, up from 15.0 percent for the first quarter of 2011. It was 15.7 percent for the second quarter of 2010. For the second quarter of 2009, it was 16.9 percent; and for the second quarter of 2008, it was 18.3 percent.

NEW ADDITIONS

A relatively small number of new units (about 519) were added to the multi-family rental inventory during the second quarter of 2011. There are about 289,970 apartment units in the seven-county metro Denver area. For the second quarter of 2011, there was a net positive absorption of 2,520 units for the metropolitan Denver area. For all of 2010, the total positive absorption was 6,827 units. Absorption is the net change in the number of apartment units rented in the current time period (quarter/year) compared to the previous time period (quarter/year). For 2009 there was a net positive absorption of 4,069 units. For 2008 there was a net negative absorption of 2,421 units and for 2007 there was a net positive absorption of 4,644 units. For the second quarter (month of May), the monthly turnover rate was 5.1 percent. For the second quarter of 2010, it was 5.6 percent.

OVERALL COMMENTS

Given the limited number of new additions to the inventory in the last two years, and especially during the last year, a somewhat lowering of the high unemployment rate, continued immigration, increase in metro area natural population, the lower vacancy rate this quarter was expected. Historically there is a downward movement in the vacancy rate during the second and third quarters of the year. The number of new units to be added to the inventory during 2011 will continue to be small, compared to the number of additions several years ago. The overall average rent for the last seven years has increased from around \$800.00 in 2002 to over \$900.00 this quarter.

The Denver Area Apartment Vacancy and Rent Survey reports median and average rates, and, as a result, there are often differences in rental rates and vacancy rates by apartment type, size, location, and age of building/complex. These variances are more pronounced as the vacancy rate has fluctuated during the last several years. All information is based on data received for the month of June, except for resident turnover and rental losses, which is for May. The Survey is conducted via mail and online submissions. It includes only those units with a certificate of occupancy. The second quarter 2011 Survey includes information on 105,605 apartment units. The Survey is possible because of the excellent participation and help of professionals in the apartment industry and the consistent support of the Survey sponsors. Comments on the Survey are welcome at Gordon.VonStroh@du.edu.